

House Engrossed

FILED

**KEN BENNETT
SECRETARY OF STATE**

State of Arizona
House of Representatives
Forty-ninth Legislature
Second Regular Session
2010

CHAPTER 31

HOUSE BILL 2073

AN ACT

AMENDING SECTION 20-1550, ARIZONA REVISED STATUTES; RELATING TO MORTGAGE
GUARANTY INSURERS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
 2 Section 1. Section 20-1550, Arizona Revised Statutes, is amended to
 3 read:

4 20-1550. Minimum policyholder position; definitions

5 A. A mortgage guaranty insurer shall maintain at all times a minimum
 6 policyholder position in an amount not less than the amount required by this
 7 section. The face amount of ~~the~~ AN INSURED mortgage shall include
 8 reinsurance assumed and shall be calculated net of reinsurance that is ceded
 9 to an insurer either:

10 1. Authorized to transact insurance or accredited to assume
 11 reinsurance in this state.

12 2. Pursuant to section 20-1557, subsection C.

13 3. Otherwise approved by the director.

14 B. If a policy of mortgage guaranty insurance insures individual loans
 15 with a percentage claim settlement option on the loans, the insurer shall
 16 maintain a minimum policyholder position based on each one hundred dollars of
 17 the face amount of ~~the~~ AN INSURED mortgage, the percentage coverage or claim
 18 settlement option and the loan-to-value category. The required amount of
 19 minimum policyholder position is calculated in the following manner:

20 1. If the total indebtedness is greater than seventy-five per cent of
 21 the value of the collateral property at the date of insurance, the following
 22 applies:

	Per cent coverage	Minimum policyholder position per one hundred dollars of the face <u>amount of the AN INSURED</u> <u>mortgage</u>
28	5%	\$.20
29	10	.40
30	15	.60
31	20	.80
32	25	1.00
33	30	1.10
34	35	1.20
35	40	1.30
36	45	1.35
37	50	1.40
38	55	1.50
39	60	1.55
40	65	1.60
41	70	1.65
42	75	1.75
43	80	1.80
44	85	1.85

1	90	1.90
2	95	1.95
3	100	2.00

4 If the per cent coverage is between any five percentage point increment, the
5 factor for minimum policyholder position per one hundred dollars of the face
6 amount of ~~the~~ AN INSURED mortgage shall be prorated.

7 2. If the total indebtedness is at least fifty per cent and not more
8 than seventy-five per cent of the value of the collateral property at the
9 date of insurance, the required amount of minimum policyholder position is
10 fifty per cent of the amount required by paragraph 1 of this subsection.

11 3. If the total indebtedness is less than fifty per cent of the value
12 of the collateral property at the date of insurance, the required amount of
13 minimum policyholder position is twenty-five per cent of the amount required
14 by paragraph 1 of this subsection.

15 C. If a policy of mortgage guaranty insurance provides coverage on a
16 pool of loans subject to an aggregate loss limit and if the equity:

17 1. Is not more than fifty per cent and not less than twenty per cent,
18 or equity plus any prior insurance or a deductible equals twenty-five per
19 cent of the value of the collateral property at the date of insurance, the
20 required amount of minimum policyholder position is calculated as follows:

21		Minimum policyholder
22		position per one hundred
23	Per cent	dollars of the face
24	<u>coverage</u>	<u>amount of the AN INSURED</u>
25		<u>mortgage</u>
26	1%	\$.30
27	5	.50
28	10	.60
29	15	.65
30	20	.70
31	25	.75
32	30	.775
33	40	.80
34	50	.825
35	60	.85
36	70	.875
37	75	.90
38	80	.925
39	90	.95
40	100	1.00

41 If the per cent coverage is between any specified increment, the factor for
42 minimum policyholder position per one hundred dollars of the face amount of
43 ~~the~~ AN INSURED mortgage shall be prorated.

1 2. Is less than twenty per cent or the equity plus prior insurance or
2 a deductible is less than twenty-five per cent of the value of the collateral
3 property at the date of insurance, the required amount of minimum
4 policyholder position is two hundred per cent of the amount required by
5 paragraph 1 of this subsection.

6 3. Is more than fifty per cent or the equity plus prior insurance or a
7 deductible is more than fifty-five per cent of the value of the collateral
8 property at the date of insurance, the required amount of minimum
9 policyholder position is fifty per cent of the amount of minimum policyholder
10 position required by paragraph 1 of this subsection.

11 D. If a policy of mortgage guaranty insurance provides for layers of
12 coverage, deductibles or excess reinsurance, the required amount of minimum
13 policyholder position may be computed by subtracting the required minimum
14 policyholder position for the lower percentage coverage limits from the
15 required minimum policyholder position for the upper or greater coverage
16 limit.

17 E. If a policy of mortgage guaranty insurance provides for coverage on
18 loans secured by second liens:

19 1. If the policy provides coverage on individual loans, the required
20 amount of minimum policyholder position is calculated according to subsection
21 B OF THIS SECTION after the per cent of coverage and the loan-to-value ratios
22 have been determined as follows:

23 (a) Divide the insured portion of the second loan by the entire loan
24 indebtedness on the collateral property to determine the per cent coverage.

25 (b) Divide the entire loan indebtedness on the property by the value
26 of the collateral property at the date of insurance to determine
27 loan-to-value per cent.

28 2. If the policy provides coverage on a group of loans subject to an
29 aggregate loss limit, the minimum policyholder position is calculated
30 according to subsection C OF THIS SECTION after the per cent of coverage and
31 the loan-to-value ratios have been determined in accordance with this
32 subsection.

33 F. If a policy of mortgage guaranty insurance provides for coverage on
34 leases, the minimum policyholder position is four dollars for each one
35 hundred dollars of the insured amount of the lease.

36 ~~G. If a mortgage guaranty insurer does not have the amount of minimum~~
37 ~~policyholder position required by this section, the director may require that~~
38 ~~it shall cease transacting new business until such time that its minimum~~
39 ~~policyholder position is in compliance with this section.~~

40 G. AMONG OTHER REMEDIAL ACTIONS, THE DIRECTOR MAY REQUIRE A MORTGAGE
41 GUARANTY INSURER TO CEASE TRANSACTING NEW BUSINESS UNTIL SUCH TIME AS THE
42 MINIMUM POLICYHOLDER POSITION AS REQUIRED BY THIS SECTION IS MET.

43 H. A mortgage guaranty insurer shall include with its annual statement
44 a report of its minimum policyholder position on a form approved by the
45 director.

- 1 I. For the purposes of this section, except as otherwise provided:
- 2 1. "Equity" means the complement of the loan-to-value per cent.
- 3 2. "Face amount of the AN INSURED mortgage":
- 4 (a) Means ~~the~~ outstanding principal balance computed without any
- 5 reduction because of an insurer's option limiting its coverage, except that
- 6 for the purposes of determining a minimum policyholder position under
- 7 subsection E "face amount of the mortgage" means the entire loan indebtedness
- 8 on the property.
- 9 (b) DOES NOT INCLUDE THE OUTSTANDING PRINCIPAL BALANCE OF ANY
- 10 INDEBTEDNESS SECURED BY THE SUBJECT REAL PROPERTY TO THE EXTENT THAT THE
- 11 INSURER HAS ESTABLISHED A LOSS RESERVE FOR THAT INDEBTEDNESS.

APPROVED BY THE GOVERNOR APRIL 9, 2010.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 9, 2010.